

Message Text

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ACTION IO-14

INFO OCT-01 AGRE-00 ICA-20 AID-05 EB-08 AF-10 ARA-14
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FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 5284
INFO USMISSION GENEVA
AMEMBASSY PARIS
AMEMBASSY LONDON

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FODAG

NESCO

E.O. 11652: N/A
TAGS: FAO, AORG, UN
SUBJ: FAO 1980-81 BUDGET

REF : (A) STATE 210000
(B) ROME 14731
(C) GENVA 11401

FOLLOWING IS TEXT OF NOTE PREPARED BY UK CO-CHAIRMAN PECKHAM
ON OUTCOME OF AUGUST 10 MTG. OF GNEVA GROUP ROME:

1. THE GENEVA GROUP (ROME) MET ON 10 AUGUST TO CONSIDER THE
VIEWS OF GOVERNMENTS INsofar AS THESE WERE KNOWN ON THE
APPROACH RECOMMENDED BY THE GROUP IN THEIR NOTE OF 19 JULY -
IN SUBSTANCE AGREEMENT WITHIN THE GROUP TO A 2 PERCENT
GROWTH RATE IN FAO'S BUDGET IN REAL TERMS STARTING FROM A BASE
OF DOLS 210 MILLION (C.F. APPROVED BUDGET FOR 1978-79 OF DOLS
211,350,000).

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2. NOT UNEXPECTEDLY A NUMBER OF MEMBER GOVERNMENTS ARE NO
YET IN A POSITION TO COMMIT THEMSELVES. SOME COULD GO
ALONG WITH THE DOLS 210 MILLION BASE ON THE PRAGMATIC GROUNDS
ADVANCED IN THE 19 JULY NOTE. OTHERS, NOTABLY CANADA, WOULD
FIND THIS VERY DISAGREEABLE. EQUALLY, WHILE A NUMBER OF MEMBERS
WERE DISPOSED AT THE END OF THE DAY TO GO ALONG WITH AN ANNUAL

GROWTH RATE OF 2 PERCENT IN REAL TERMS, THERE WAS A TENDENCY TO FAVOUR DISCUSSIONS WITH THE DIRECTOR-GENERAL STARTING AT A LOWER FIGURE AND TO REGARD THE FIGURE OF 2 PERCENT AS THE ABSOLUTE MAXIMUM.

3. IT WAS FELT TO BE TOO EARLY TO DECIDE WHETHER A CONSENSUS WOULD BE POSSIBLE IN THIS MATTER AND A FURTHER MEETING WILL BE HELD ON 7 SEPTEMBER FOR THIS PURPOSE. IN THE MEANTIME THE ESSENTIAL ELEMENTS OF AGREEMENT WITHIN THE GROUP WOULD APPEAR:

(A) THAT ANY DISCUSSIONS WITH THE DIRECTOR-GENERAL, WHETHER AS A GROUP OR OTHERWISE, SHOULD EMPHASISE THE SERIOUS FINANCIAL AND ECONOMIC DIFFICULTIES OF MANY MEMBER COUNTRIES;

(B) THAT IT WAS ESSENTIAL FOR FAO IN THESE CIRCUMSTANCES TO ENSURE THAT ITS PROGRAMME UNDER THE REGULAR BUDGET WAS STRICTLY LIMITED; MEMBER GOVERNMENTS WOULD WISH TO BE SATISFIED OVER THE PROVISION PROPOSED FOR THE VARIOUS INDIVIDUAL ITEMS, PARTICULARLY THOSE FOR FAO COUNTRY REPRESENTATIVES AND THE TECHNICAL CO-OPERATION PROGRAMME;

(C) THERE WOULD OVERALL BE THE GREATEST DIFFICULTY FOR MANY MEMBER GOVERNMENTS TO AGREE TO ANY GROWTH IN THE REGULAR BUDGET, ALTHOUGH A NUMBER WERE WILLING TO CONTINUE TO MAKE EXTRA-BUDGETARY CONTRIBUTIONS THROUGH TRUST FUNDS AND SIMILAR ARRANGEMENTS;
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(D) NEVERTHELESS, THE GROUP AS A WHOLE RECOGNIZED THE IMPORTANCE, WITHIN THE OVERALL DEVELOPMENT PRIORITIES, OF AGRICULTURE AND FOR THAT REASON A NUMBER OF COUNTRIES MIGHT BE PREPARED TO ACCEPT AN ANNUAL RATE OF GROWTH IN REAL TERMS OF 2 PERCENT IF AN ADEQUATE CASE FOR THIS IS MADE OUT IN THE PROPOSALS SUBMITTED BY THE DIRECTOR-GENERAL.

4. TACTICS

(I) NO APPROACH TO DIRECTOR-GENERAL OR HIS OFFICIALS BEFORE QUESTION OF CONSENSUS CONSIDERED ON 7 SEPTEMBER.

(II) NO LOBBYING OF DEVELOPING COUNTRIES BEFORE THEN.

(III) GROUP TO DECIDE ITS BASIC TACTICS ON 7 SEPTEMBER:
IT IS ESSENTIAL THAT INSTRUCTIONS ALLOW FOR SOME FLEXIBILITY IF A CONSENSUS IS TO BE REACHED BOTH ON TACTICS AND MATTERS OF SUBSTANCE.

5. FODAG COMMENTS

JUDGING BY SOUNDINGS TAKEN AUGUST 23-24 AFTER RECEIPT
REFTEL A, PECKHAM'S "ESSENTIAL ELEMENTS OF AGREEMENT"
IN PARA 3, EVEN THOUGH THEY OMIT ANY MENTION OF A BASE FIGURE,
ARE STRETCHING A POINT. PRESENT FRENCH INSTRUCTIONS, NOW
ARRIVED, REJECT ANY PERCENTAGE REAL GROWTH CONCEPT AND INSIST
ON GIVING FAO A FIRM DOLLAR LIMIT NOT TO EXCEED 10 PERCENT
IN EXCESS OF 1978-79 BUDGET (NOTWITHSTANDING LIKLIHOOD THAT
1980-81 INFLATION RATE WILL CONSIDERABLY EXCEED 10 PERCENT).
GERMAN REP STILL ABSENT. CANADA, UNDER PRESENT INSTRUCTIONS,
COULD NOT ACCEPT EITHER ZERO GROWTH OR 2 PERCENT GROWTH UNLESS
THEY ARE SATISFIED WITH BASE.

6. IN THESE CIRCUMSTANCES RANGE WITHIN GGR OF WHAT ITS MEMBERS
WILLING TO ACCEPT AS LEVEL OF 1980-81 BUDGET EXPRESSED IN 1978-
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79 DOLLARS STARTS WITH FRENCH POSITION EXTRAPOLATED AT SLIGHTLY
UNDER DOLS 200 MILLION AND ENDS WITH UK AND DUTCH WHO COULD
PROBABLY GO AS HIGH AS DOLS 220. DG'S TALK OF A 7 PERCENT
REAL INCREASE (PRESUMABLY ON A BIENNIAL BASIS) COMES OUT AT
DOLS 226 OR PERHAPS AS HIGH AS DOLS 230 IF HE TELLS US THAT
THE 1978-79 PROGRAM WILL COST MORE THAN DOLS 211,350,000 GIVEN
DOLLAR DEPRECIATION. (CORRESPONDING RANGE FOR TOTAL 1980-81
BUDGET, ASSUMING AN 11 PERCENT ANNUM OR A 17 PERCENT/BIENNIUM
INFLATION RAGE SUCH AS APPLIED TO LAST BUDGET WOULD BE DOLS
234-270 MILLION).

7. FODAG, THEREFORE, PLANS, IN EFFORT TO BRING IN FRENCH,
AVOID LOSING UK, AND SATISFY INTENT OF REFTEL, TO SUGGEST,
FIRST TO KEY GGR MEMBERS (UK, FRANCE, CANADA, NETH) ON OUTER
EDGES OF NUMERICAL RANGE AND THEN TO OTHERS THAT, IN REPORTING
PECKHAM'S NOTE ON AUGUST 10 MEETING, THEY SUBMIT WITH IT FOLLOWING
U.S. PROPOSED AMENDMENTS TO LAST TWO OF PECKHAM'S FOUR POINTS
IN PARA 3.

". MEMBER GOVERNMENTS, THOUGH WILLING IN MANY CASES TO CONTINUE
AND IN SOME CASES EVEN TO INCREASE EXTRA BUDGETARY CONTRIBUTIONS,
WOULD HAVE THE GREATEST DIFFICULTY IN AGREEING TO ANY NET
REAL REGULAR BUDGET GROWTH IN 1978-79 TERMS, IN EXCESS OF A
BASE OF DOLS 204 MILLION, WHICH THEY ESTIMATE TO REPRESENT
THE CURRENT COST OF CONTINUING PROGRAMS."

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FODAG

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"D. NVERTHELESS, THE GROUP AS A WHOLE RECOGNISED THE IMPORTANCE, WITHIN THE OVERALL DEVELOPMENT PRIORITIES, OF AGRICULTURE AND FOR THAT REASON A NUMBER OF COUNTRIES MIGHT BE PREPARED TO ACCEPT A YEARLY RATE OF NET REAL GROWTH OF 2 PERCENT OF THE ANNUALIZED LEVEL OF THE ABOVE MENTIONED BASE IF AN ADEQUATE CASE FOR THIS IS MADE BY THE DIRECTOR GENERAL."

8 FODAG WISHES TO EMPHASIZE FOLLOWING POINTS ABOUT REVISED LANGUAGE:

A. SINCE FOREGOING POSITION WILL BE VIEWED BY DG AS CONFRONTATIONAL, COMING OUT AS IT DOES AT BEST DOLS 15 MILLION BELOW HIS AIM, REFERENCE IN POINT C TO POSSIBLY INCREASED EXTRA BUDGETARY CONTRIBUTIONS DEEMED DESIRABLE TO SOFTEN IMPACT AND TO KEEP UK, DUTCH, AND PERHAPS SWEDES ON BOARD. WITH AID INPUTS INTO IPM PROGRAM IN SAHEL RISING IN 1980-81, PHRASE APPLIES TO U.S. AS WELL.

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B. SINCE PECKHAM'S PHRASE "MANY MEMBER GOVERNMENTS" WEAKENS IMPACT OF BASIC ZERO GROWTH POSITION, WE ARE SUGGESTING SIMPLY "MEMBER GOVERNMENTS" IN POINT C. WE MAY HAVE TO TAKE "MOST MEMBER GOVERNMENTS TO KEEP UK AND DUTCH.

C. SINCE PECKHAM'S ZERO GROWTH IN POINT C AND 2 PERCENT GROWTH IN POINT D HAVE LITTLE MEANING WITHOUT ESTABLISHING A

BASE, WE ARE REINTRODUCING IN POINT C A PROPOSED FIGURE OF DOLS 204 MILLION IN AN ATTEMPT TO BRING IN THE FRENCH AND SATISFY THE CANADIANS. WE PLAN TO TELL UK, DUTCH AND SWEDES THAT THROWING DOWN AN "ESTIMATE" LIKE THAT IS BETTER DESIGNED THAN DOLS 210 TO MAKE THE FAO SHOW US ITS CALCULATIONS (IMPLYING TO THEM THAT WE MIGHT EVENTUALLY AGREE ON A BASE ABOVE DOLS 204 MILLION). HOWEVER, WE EXPECT GGR CONSENSUS, IF ACHIEVABLE, MAY EMERGE CLOSER TO DOLS 206 MILLION (A BASE WHICH WOULD, WITH 2 PERCENT NET REAL GROWTH PRODUCE A 1980-81 BUDGET EQUAL TO THE PRESENT ONE, PRIOR TO ADJUSTMENTS FOR INFLATION).

D. WE REGARD PECKHAM'S POINT D AS WITHIN OUR INSTRUCTIONS SINCE IT DOES NOT COMMIT ENTIRE GGR TO ACCEPT 2 PERCENT/ANNUUM NET REAL GROWTH AND THEREFORE DOES NOT COMMIT U.S. HOWEVER, WE THINK LANGUAGE DESCRIBING 2 PERCENT NEEDS MORE PRECISION IN ORDER TO AVOID INTERPRETATION THAT ANYONE IS OFFERING A 2

PLUS 2 OR 4 PERCENT BIENNIAL GROWTH LIMIT. (SEE REFTTEL C).

E. IF WE WISH GOVERNMENTS TO LOOK AT OUR AMENDMENTS ALONG WITH PECKHAM'S LANGUAGE AND REACT BY SEPTEMBER 7, WE WILL NEED TO START TALKING EARLY IN WEEK, ESPECIALLY IN VIEW IMMINENT DEPARTURE OF CANADIAN PERM REP. THUS, WE PLAN INFORMAL TALKS AUGUST 29. IN OUR VIEW, DOLS 206 MILLION WITH POSSIBLY 2
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PERCENT NET REAL GROWTH IS MORE SALEABLE WITHIN GGR THAN DOLS 211,350,000 MEMBERS SHOULD SUBSEQUENTLY HAVE LATITUDE AS TO HOW TO INTERPRET IT.

F. FODAG HAD CONSIDERED WORKING INTO PRESENTATION SOME ACKNOWLEDGMENT THAT DOLS 211,350,000 BUDGET COSTED AT 879 LIRE TO A DOLLAR AND THAT DOLLAR IS, GIVEN ITS 1978 AVERAGE AT AROUND 850, ITS GREATER WEAKNESS ELSEWHERE, AND U.S. INFLATION, NOT BUYING AS MUCH IN PROGRAM TERMS AS ANTICIPATED. THIS CASE WILL SURELY BE MADE TO US BY DG AND WILL, IN OUR VIEW, ADD TO AN ARGUMENT THAT FAO MAY WELL WIND UP SPENDING DOLS 216 MILLION OR MORE IN THIS BIENNIUM TO BUY A DOLS 211,350,000 PROGRAM; THEREFORE, BASE SHOULD BE HIGHER -- AROUND DOLS 211. HOWEVER, IF WE ADVOCATE PRIOR ACCOUNTING FOR THIS ELEMENT, IT MAY COMPLICATE OBTAINING GGR CONSENSUS. WE SHOULD, NEVERTHELESS, BE PREPARED FOR THIS AND, THEREFORE, WILL TRY TO KEEP AS MUCH OF GGR'S 2 PERCENT DRY AS POSSIBLE. DEPARTMENT SHOULD BE AWARE, HOWEVER, THAT THIS ARGUMENT WILL EVENTUALLY EMERGE TO PARTICULAR DISADVANTAGE OF U.S., TO NARROW THE PRESENT GAP BETWEEN GGR AND DG (UNLESS DG'S 7 PERCENT GROWTH IS ALREADY WORKED OFF AT HIGHER BASE THAN DOLS 211 MILLION).

G. IN LIGHT OF FOREGOING, U.S. OBJECTIVE SHOULD BE TO

ENGAGE DG FIRMLY AS A UNITED GROUP AND GET HIM TO OPEN UP
HIS CALCULATIONS MORE CANDIDLY. A POSITION TOO INFLEXIBLY
AND RIGIDLY OUT OF LINE WITH WHO PRECEDENT, OR UNABLE TO ACCEPT
SOME OF DEVALUED DOLLAR ARGUMENT WILL PROBABLY NOT PRODUCE
DESIRED IMPACT ON THE DG. HE WILL SIMPLY PROCEED WITH HIS
7 PERCENT AND, ARMING HIMSELF WITH HEAVY IRONY ABOUT HUMAN
NEEDS AND THE WAR ON HUNGER, TRANSFER THE NEGOTIATION TO MR.
LINOWITZ AND BEYOND WHEN HE VISITS THE U.S. IN OCTOBER --
WITH THE USUAL ALLUSIONS TO BUREAUCRATIC OBSTRUCTIONS BELOW.
HOLMES

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Secure: OPEN
Status: NATIVE
Subject: FAO 1980-81 BUDGET
TAGS: AORG, FAO, UN
To: STATE
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